

Message Text

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ORIGIN ARA-17

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TO AMEMBASSY TEGUCIGALPA PRIORITY

S E C R E T STATE 053684

E. O. 11652: GDS

TAGS: PFOR, HO

SUBJECT: PRE- IG REVIEW OF HONDURAS CASP

1. SUMMARY: PRE- IG MET TO REVIEW HONDURAS CASP ON MARCH 15. MAJOR TOPICS OF DISCUSSION WERE THE POLITICAL DEVELOPMENT ISSUE, ECONOMIC DEVELOPMENT, AND FOLLOW- UP DISCUSSIONS RELATING TO LAST YEAR' S DECISION MEMORANDUM ON MILITARY ASSISTANCE. END SUMMARY.

2. POLITICAL DEVELOPMENT - STATEMENT OF THIS ISSUE WAS REPHRASED TO READ " WHAT POSTURE SHOULD THE USG ASSUME WITH RESPECT TO THE DE FACTO NATURE OF THE LOPEZ GOVERNMENT?" THE LEVEL OF CONCERN ASSIGNED TO THIS ISSUE FOR BOTH FISCAL YEARS WAS REDUCED TO LOW (L). WHILE THIS ISSUE OFFERS SIGNIFICANT CHALLENGES AND OPPORTUNITIES TO THE GOH, THERE ARE FEW CORRESPONDING CHALLENGES AND OPPORTUNITIES SUSCEPTIBLE TO U. S. LEVERAGE AND INFLUENCE. SIMILAR CONSIDERATIONS LED PRE- IG TO REDUCE TO LOW (L) THE LEVEL OF CONCERN ASSIGNED TO U. S. NATIONAL DEFENSE (P. 33).

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3. ECONOMIC DEVELOPMENT - STATEMENT OF ISSUE NO. 2 WAS ALTERED TO READ: " GIVEN THE UNUSUALLY UNDERDEVELOPED STATE OF HONDURAS WITHIN CENTRAL AMERICA, WHAT TYPE OF U. S. ASSISTANCE PROGRAM CAN BEST CONTRIBUTE TO THE UP- GRADING

OF HONDURAN LIFE IN TERMS OF ECONOMIC GROWTH, INCOME DISTRIBUTION AND PRODUCTIVITY?" THE LEVEL OF CONCERN ASSIGNED THIS INTEREST FOR BOTH FISCAL YEARS WAS REDUCED FROM HIGH (H) TO MEDIUM (M) FOR BOTH FISCAL YEARS. LANGUAGE WAS ADDED TO RECOMMENDATIONS 1 AND 2 TO HIGHLIGHT HONDURAS AS A CASE FOR SPECIAL CONSIDERATION FOR U. S. ASSISTANCE DUE TO ITS LEAST - DEVELOPED POSITION IN CENTRAL AMERICA, ON THE THEORY THAT ECONOMIC INTEGRATION IN CENTRAL AMERICA IS MORE LIKELY TO OCCUR AMONG EQUALS. RECOMMENDATION 2 WAS ALTERED TO ADD A STATEMENT THAT OUR PROGRAMS SHOULD INCLUDE A REFLECTION OF GOH PRIORITIES IN RURAL DEVELOPMENT, ESPECIALLY THE INTEGRATION OF THE RURAL MAN INTO THE NATIONAL ECONOMY. TO REFLECT THIS EMPHASIS, AN ADDITIONAL SENTENCE WAS ADDED UNDER OPPORTUNITIES (P. 17) AS FOLLOWS: " GOH REQUESTS FOR ASSISTANCE WILL PRESENT THE USG BILATERALLY, AND IN CONCERT WITH THE IFIS, WITH THE OPPORTUNITY TO ENCOURAGE AND/ OR URGE THE GOH TO DEVELOP A COMPREHENSIVE AGRARIAN REFORM PROGRAM AND TO BEGIN FISCAL REFORM MEASURES NECESSARY TO PROVIDE ADEQUATE COUNTERPART FUNDS FOR EXTERNAL ASSISTANCE."

4. RECOMMENDATION 4 WAS MODIFIED TO READ: " BILATERAL AND MULTILATERAL PROGRAMS SHOULD BE BASED ON A COMMON CONCEPTUAL FRAMEWORK. THIS CAN BE ACHIEVED THROUGH LOGICAL SECTORAL ANALYSES WHICH ARE CLEARLY A PRODUCT OF HONDURAN EFFORTS. THE PROJECTS THAT RESULT FROM THE ANALYSES SHOULD BE PLANNED AND IMPLEMENTED THROUGH CLOSE CONSULTATION AMONG THE US AND MULTILATERAL LENDERS."

5. THERE WAS DISCUSSION ON THE LEVELS OF ASSISTANCE PROPOSED IN THE CASP, WITH SOME PRE- IG PARTICIPANTS ARGUING THAT THESE SHOULD BE REDUCED TO CONFORM TO THOSE CONTAINED IN THE FY 74 CONGRESSIONAL PRESENTATION DOCUMENT. IF THIS QUESTION IS NOT RESOLVED INFORMALLY PRIOR TO THE IG, IT COULD BE RAISED TO THAT BODY FOR RESOLUTION.

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6. MILITARY ASSISTANCE - THE PRE- IG WILL RECOMMEND A RESUMPTION OF GRANT MATERIEL ASSISTANCE AT THE \$400,000 LEVEL INCLUDED IN THE FY 74 CONGRESSIONAL PRESENTATION DOCUMENT. OTHER FY 74 FIGURES (\$535,000 MAP/ T AND \$500,000 FMS) WILL ALSO BE IN ACCORD WITH THE PROPOSED CPD LEVELS. FOR FY 75, THE FIGURES CONTAINED IN STATE 033170 (I. E., MAP \$1.3 MILLION, FMS- C \$3 MILLION) WILL BE USED.

7. THE PRE- IG PARTICIPANTS AGREED THAT THE TERM " PARITY" EMPLOYED IN LAST YEAR' S DECISION MEMORANDUM REQUIRED FURTHER CLARIFICATION. ACCORDINGLY, IN THE KEY ISSUES PAPER TO BE FORWARDED TO THE IG WE WILL SEEK TO REDEFINE

PARITY IN TERMS OF " EVENHANDEDNESS," OR THE AVOIDANCE OF FAVORITISM TO EITHER PARTY, AND THE NECESSITY FOR OPENNESS IN OUR DEALINGS WITH BOTH COUNTRIES. WE WOULD PROPOSE TO SET EQUAL LIMITS ON THE AMOUNT OF GRANT MATERIEL AND FMS TO BE PROVIDED TO BOTH COUNTRIES. THE PROGRAMMED TRAINING LEVEL FOR BOTH COUNTRIES WOULD BE THE SAME, BUT WE ARE WELL AWARE THAT DISPARITIES COULD DEVELOP SINCE THERE COULD BE UNEQUAL UTILIZATION OF THE TRAINING FUNDS BY THE TWO COUNTRIES. EVENHANDEDNESS IN SALES WOULD BE ACHIEVED BY MAKING IT CLEAR TO BOTH EL SALVADOR AND HONDURAS THAT WE WOULD OFFER EACH AN EQUAL OPPORTUNITY TO PURCHASE, WITHOUT, HOWEVER, ATTEMPTING TO ASSUME RESPONSIBILITY FOR EQUAL ACQUISITIONS OF EQUIPMENT. TO KEEP EVERYTHING ABOVE BOARD, WE WOULD PROPOSE TO INFORM EACH OF THE INTENDED PURCHASES OF THE OTHER.

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